

**U.S. House of Representatives  
Committee on Appropriations  
Subcommittee on District of Columbia Appropriations**

**"Hearing on Economic Development in the District of Columbia"**

**Statement of Stanley Jackson, Director  
District of Columbia Department of Housing and Community Development**

**Thursday, April 18, 2002**

---

Good afternoon Chairman Knollenberg, Congressman Fattah, and members of the Subcommittee on District of Columbia Appropriations. I am Stanley Jackson, the Director of the District of Columbia Department of Housing and Community Development (DHCD or Department).

My comments today will center on two themes: (1) our strategic plan to reform the programs by which we fund Community Development Corporations, which I will refer to as CDCs, and other non-profit organizations; and (2) our role in financing some of the District's flagship projects.

The CDC problem as reported in the recent Washington Post articles is not a new one. When I came to DHCD on July 31, 2001, I had immediate concerns about the way that DHCD funds were being managed. The District of Columbia, Office of

---

the Inspector General's (OIG) February 2000 report about DHCD's management of funds provided to CDCs showed that the Department had not effectively monitored the performance of its grantees, and my own observations confirmed that we needed to make improvements.

My staff and I began taking steps to strengthen the Department's management capabilities, including our grantee monitoring functions. I hired a new management team—a Chief Operating Officer, a Director of the Office of Program Monitoring, a Director of Human Resources and a training specialist. This new team will ensure that our staff is provided the training and oversight needed to improve their monitoring capacity.

The Office of Program Monitoring (OPM) now conducts scheduled reviews of grantees, as well as reviewing DHCD operations to ensure compliance with all appropriate Federal and District regulations. OPM is responsible for ensuring that organizations that receive funds from DHCD are using them for the purpose intended, and in accordance with the regulations. I am in the process of recruiting additional staff to increase OPM's monitoring capacity.

We also redesigned our Neighborhood Development Assistance Program (NDAP), the former vehicle for funding CDC administrative costs, to create greater accountability, to weed out non-performance, and to bring the program into full compliance with the U.S. Department of Housing and Urban Development (HUD) regulations. For Fiscal Year 2002, we have changed the program so that applicants' proposals must meet specific needs established by the District, rather than allowing the applicants to propose their own agendas. Furthermore, we now intensely scrutinize each applicant's capacity to carry out those initiatives. We further raised the bar by making the request for applications open to competition from all non-profits, Community Based Organizations (CBOs), and CDCs that had the expertise to carry out programs and activities. As a result of this increased competition, we awarded contracts to six organizations that had not previously participated in NDAP, and five organizations that had received funds in the past did not receive them this year. Another change we made to NDAP was to institute the use of performance-based contracts that defined performance measures and expected outcomes. These contracts are in use now with the twelve (12) FY2002 grantees.

Finally, NDAP project managers have increased their monitoring activities to ensure that federal dollars are being used for their intended, legal purposes.

NDAP project managers now conduct monthly site visits to monitor the CDCs' operations, and OPM will join them on a quarterly basis. OPM's review activities will include the CDC grantees, as well as the Department's management of NDAP.

Much of the impetus to redesign NDAP came from our own analysis of the program, but our decision to do so – in the face of some opposition from the CDCs – was vindicated by a November 2001 letter from HUD. This letter stated that our use of Community Development Block Grant (CDBG) funds to support CDC administrative costs not directly related to specific projects and program activities was inappropriate. Our NDAP redesign eliminates administrative costs as an eligible use, and ensures that every dollar can be tied to actual projects or programs in the community.

Similarly to NDAP, we will redesign our “bricks and mortar” project funding application process later this year by using a “Notice of Funds Availability” that clarifies the DHCD's development priorities, rather than just accepting any proposal that comes in the door. This will give us greater control over the diversity of housing and economic development in the District.

After the articles about the CDCs appeared in the Washington Post, it became clear to all of us that in order to restore integrity to the Department, we needed to go back and look at past transactions more carefully. In March, I asked the D.C. Inspector General (IG) to review the activities of the CDCs that DHCD has provided funds to in the past. I have requested that the IG determine whether Federal and District funds have been inappropriately used or misdirected, and if the CDCs have engaged in activities that represent conflicts of interest. The IG began its review on April 10, 2002.

In addition, the Department is currently reviewing the status of each contract with the CDCs to determine their compliance with the agreements, including determining whether performance objectives have been met. For any non-performing contract, the Department's Office of Corporation Counsel will determine whether legal action is appropriate to withdraw funds or whether to take other corrective action to complete the project.

Mr. Chairman and members of the Subcommittee, I hope that this discussion addresses your concerns about the District's oversight of the CDCs. Since I came to the agency, we have moved aggressively to cure the weaknesses that have

plagued our work with the CDCs. Now, I would like to turn to a description of the support we are providing for a number of the City's projects.

The Department has provided funding to the two HOPE VI projects currently being sponsored by the District of Columbia Housing Authority. In July 2001, we committed \$3.25 million in Community Development Block Grant funding and \$7 million in capital funds for the East Capitol Dwellings project. These funds paid for pre-development costs and infrastructure construction associated with the development of 555 new mixed-use rental and homeownership units and a new shopping center. At present, the Housing Authority is relocating the existing tenants and is preparing to demolish part of the site.

At the same time that we committed funds to the East Capitol Dwellings project, we also committed \$1.6 million in CDBG and \$6.4 million in capital funds for the Henson Ridge project at Frederick Douglass/Stanton Dwellings in Ward 8. We currently are processing an increase of \$3.4 million in CDBG funding to bring the total CDBG funding to \$5.0 million; this increase will reduce our capital funds contribution to maintain a total of \$8.0 million in funding. The use of these funds is to pay for pre-development costs and infrastructure construction associated with

the development of 600 units of rental and homeownership affordable housing units. Demolition is proceeding and site construction has begun on the project.

Finally, we anticipate supporting the Arthur Capper/Carrollsbury HOPE VI project with \$950,000 of CDBG funds. These funds will be used for pre-development costs associated with the development of a mixed-income community of 1,562 rental and ownership housing units. A Letter of Commitment to DCHA has been drafted.

Regarding the Government Center projects, DHCD did provide just over \$878,000 in May 2001 to pay for land assembly costs at the Anacostia Gateway. The land has been assembled, and the bakery that was on the site has been relocated. Since that time, responsibility for the Government Centers projects has been transferred to the Mayor's Office of Property Management, and our involvement in these projects will continue to be coordinated with the Office of Property Management.

Mr. Chairman, this concludes my statement. I would be glad to answer any questions you and Members of the Committee may have at this time.